FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2011

Ercolini & Company

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

We have audited the accompanying consolidated statement of financial position of Fitchburg State University Foundation, Inc. (formerly known as Fitchburg State College Foundation, Inc.) (a not-for-profit organization) as of June 30, 2011, and the related consolidated statements of activities, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 consolidated financial statements and, in our report dated October 15, 2010, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fitchburg State University Foundation, Inc. as of June 30, 2011, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 18, 2011 on our consideration of Fitchburg State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2011 audit.

Ercolini & Company LLP

Boston, Massachusetts
October 18, 2011

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(with comparative totals as of June 30, 2010)

	2011	2010
ASSETS		
Cash and equivalents	$ 2,270,542	$ 1,612,966
Cash held in escrow	-	75,053
Investments	10,118,447	9,125,899
Accrued investment income receivable	5,518	56,517
Accounts receivable	5,393	2,309
Contributions receivable, net	1,500,865	1,510,853
Prepaid expenses and other current assets	33,665	18,445
Property and equipment, net of accumulated depreciation	4,815,752	5,002,205
Deferred financing costs, net of accumulated amortization of $14,116 and $10,646, respectively	44,618	48,088
Other assets	109,119	102,211
Total assets	$ 18,903,919	$ 17,554,546
LIABILITIES AND NET ASSETS		
Accounts payable, trade	$ 68,661	$ 80,251
Accrued interest payable	12,320	10,653
Deferred revenue	22,405	42,005
Bank line of credit	-	125,000
Notes payable - bank	681,816	717,056
First mortgage notes payable	3,121,795	3,224,841
Total liabilities	3,906,997	4,199,806
Net assets:		
Unrestricted	3,603,607	3,103,413
Temporarily restricted	3,077,888	2,093,525
Permanently restricted	8,315,427	8,157,802
Total net assets	14,996,922	13,354,740
Total liabilities and net assets	$ 18,903,919	$ 17,554,546

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

(with comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Revenue and support:					
Program revenues:					
Gifts and donations	$ 248,275	$ 3,064,861	$ 150,716	**$ 3,463,852**	$ 1,519,518
Grants and contracts	-	44,036	-	**44,036**	20,880
Sales and services	149,169	162,952	-	**312,121**	270,495
Rental income	165,000	-	-	**165,000**	165,000
Residence hall income	200,120	-	-	**200,120**	185,873
License fee income	177,455	-	-	**177,455**	108,875
Other revenue:					
Interest and dividends	55,445	134,866	-	**190,311**	237,186
Gain (loss) on investments	393,963	995,442	-	**1,389,405**	795,810
Increase in cash surrender value of life insurance	-	-	6,909	**6,909**	4,816
Net assets released from restrictions	3,417,794	(3,417,794)	-	**-**	-
Total revenue and support	4,807,221	984,363	157,625	**5,949,209**	3,308,453
Expenses:					
Program services	4,014,171	-	-	**4,014,171**	1,375,684
Management and general	167,630	-	-	**167,630**	128,861
Fund raising	125,226	-	-	**125,226**	46,441
Total expenses	4,307,027	-	-	**4,307,027**	1,550,986
Increase (decrease) in net assets	500,194	984,363	157,625	**1,642,182**	1,757,467
Net assets at beginning of year	3,103,413	2,093,525	8,157,802	**13,354,740**	11,597,273
Net assets at end of year	$ 3,603,607	$ 3,077,888	$ 8,315,427	**$ 14,996,922**	$ 13,354,740

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

(with comparative totals for the year ended June 30, 2010)

	2011	2010
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ 1,642,182**	$ 1,757,467
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on investments	**(1,389,405)**	(795,810)
(Gain) loss on sale of land	**4,400**	-
Impairment loss	**-**	275,670
Depreciation	**98,260**	78,055
Discount on pledges	**(10,350)**	(18,702)
Amortization of deferred financing costs	**3,470**	3,470
Contribution of equipment	**(20,738)**	-
Contributions of investment securities	**-**	(50,940)
Contributions restricted for long term purposes	**(150,716)**	(1,063,287)
Increase in cash surrender value of life insurance	**(5,035)**	(2,942)
(Increase) decrease in accounts receivable	**(3,084)**	6,821
(Increase) decrease in accrued investment income receivable	**50,999**	6,402
(Increase) decrease in contributions receivable	**121,742**	214,178
(Increase) decrease in prepaid expenses and other current assets	**(15,220)**	24,054
Increase (decrease) in accounts payable, trade	**3,027**	45,750
Increase (decrease) in accrued interest payable	**1,667**	5,929
Increase (decrease) in deferred revenue	**(19,600)**	396
Net cash provided by (used in) operating activities	**311,599**	486,511
Cash flows from investing activities:		
Payments for property and equipment	**(28,956)**	(672,107)
Proceeds from sale of investments	**11,337,424**	1,091,587
Proceeds from sale of land	**118,870**	-
Purchase of investments	**(10,940,567)**	(506,843)
Release of cash held in escrow	**75,053**	-
Deposit to cash held in escrow, including interest earned	**-**	(75,053)
Life insurance premiums	**(1,874)**	(1,874)
Net cash provided by (used in) investing activities	**559,950**	(164,290)

See notes to consolidated financial statements.

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

YEAR ENDED JUNE 30, 2011

(with comparative totals for the year ended June 30, 2010)

	2011	2010
Cash flows from financing activities:		
Proceeds of first mortgage notes payable	**$ -**	$ 300,000
Payments on first mortgage notes payable	**(103,046)**	(94,004)
Net proceeds of (payments on) bank line of credit	**(125,000)**	125,000
Proceeds of notes payable - bank	**-**	77,952
Payments on notes payable - bank	**(35,240)**	(19,755)
Collections of contributions restricted for long term purposes	**49,313**	80,853
Net cash provided by (used in) financing activities	**(213,973)**	470,046
Net increase (decrease) in cash and equivalents	**657,576**	792,267
Cash and equivalents, beginning of year	**1,612,966**	820,699
Cash and equivalents, end of year	**$ 2,270,542**	$ 1,612,966
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	**$ 226,913**	$ 216,679
Supplemental schedule of noncash investing and financing activities:		
Donation of equipment at estimated fair value	**$ 20,738**	$ -
Donations of publicly traded common stock at their readily determinable fair values	**$ -**	$ 50,940
Costs incurred for purchase of property and equipment	**$ 14,339**	$ 686,724
Accounts payable, trade, beginning of year	**14,617**	-
Accounts payable, trade, end of year	**-**	(14,617)
Payments for property and equipment	**$ 28,956**	$ 672,107

See notes to consolidated financial statements.

1. Organization and summary of significant accounting policies:

Organization:

Fitchburg State University Foundation, Inc. (the Foundation) (formerly known as Fitchburg State College Foundation, Inc.) was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University (the University), to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci-Cirio endowment and the University’s Booster Clubs.

On November 24, 2010, the Commonwealth of Massachusetts approved a name change from Fitchburg State College Foundation, Inc. to Fitchburg State University Foundation, Inc.

FSU Foundation Supporting Organization, Inc. (the Supporting Organization) (formerly known as FSC Foundation Supporting Organization, Inc.) was organized on October 29, 1999 to be a supporting organization operated, supervised and controlled for the exclusive benefit of the Foundation and all of its educational and charitable activities. On November 26, 2010, the Commonwealth of Massachusetts approved a name change from FSC Foundation Supporting Organization, Inc. to FSU Foundation Supporting Organization, Inc. As of June 30, 2011, the Supporting Organization’s sole program activity has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and Fitchburg State University.

The Foundation and the Supporting Organization are collectively referred to hereinafter as the Organization.

Summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the Foundation and the Supporting Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Professional standards require that a not-for-profit organization consolidate another not-for-profit organization if the reporting not-for-profit (Foundation) has both control and an economic interest in the other not-for-profit organization (Supporting Organization). The Supporting Organization’s Articles of Organization limit its activities to those that are for the exclusive benefit of the Foundation.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Organization and summary of significant accounting policies - continued:

Method of accounting:

The consolidated financial statements of the Organization have been prepared on the accrual basis, whereby income is recorded when earned and expenses recorded when incurred in the appropriate accounting period.

Basis of presentation:

The consolidated financial statements of the Organization are presented in accordance with guidance issued by the Financial Accounting Standards Board (FASB) for the presentation of financial statements of Not-for-Profit Entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent the portion of expendable funds available for support of the Organization.

Temporarily restricted net assets represent contributions specifically restricted by the donor. Programs supported by the Organization operate under budgetary restrictions except for the Women in Today's Society program. Income earned from support derived by the Women in Today’s Society program is restricted; ninety percent (90%) of such income is available for the Women in Today's Society program with ten percent (10%) available for general Organization expenses.

Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income, only, be used primarily for the granting of scholarships and to fund other academic and cultural programs. Earnings on certain permanently restricted net assets are specifically restricted by the donor.

Risks and uncertainties:

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Organization’s investments in equity securities, corporate bonds and mutual funds include both domestic and foreign investments. In addition, the Organization has an investment in a real estate fund that is invested in a diversified portfolio of office, residential, industrial and retail properties. Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization’s investment account balances.

Revenue recognition:

<u>Contributions and bequests</u> -

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected

1. Organization and summary of significant accounting policies - continued:

Revenue recognition - continued:

Contributions and bequests - continued -

to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sales and services -

Sales and services revenue primarily consists of revenue generated from various cultural programs, functions and events organized by the Organization. Revenue is recognized when the programs, functions and events have taken place and as services are performed. Revenues received for future programs, functions and events are deferred to the applicable year in which they are earned.

Rental and license fee income -

Renting and leasing operations currently consist of leasing commercial space under a long-term lease agreement with the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of Fitchburg State University. In addition, the Organization granted Fitchburg State University an exclusive license to occupy, manage, maintain and operate certain other property owned by the Organization pursuant to a License Agreement with an initial term of one year and automatic annual renewals thereafter. Rental and license fee income are recognized under the operating method as the rentals and license fees become due. Rental and license fee payments received in advance are deferred until earned.

Residence hall income -

Residence hall fees are recognized when earned.

Cash and investments:

The Organization maintains cash and an investment pool that is available for use by all funds. Each fund's portion is reflected in the consolidated financial statements under cash and equivalents and investments. Earnings on cash and investments of the unrestricted net assets and temporarily restricted net assets are reflected in the fund in which the assets are recorded.

1. Organization and summary of significant accounting policies - continued:

Accounts receivable:

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments:

Investments consist of debt, marketable equity securities, mutual funds, a pooled investment real estate fund and other investments which are carried at their fair values. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold.

The Organization's investment policy consists of a target asset allocation range of 50% to 60% equity securities, 30% to 50% fixed income securities and up to 10% in cash and equivalents.

Endowments:

The Organization's endowments consist of approximately 85 individual funds that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by the Board of Directors to function as endowments as of June 30, 2011. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law* -**

The Board of Directors of the Organization has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Organization and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Organization, and (vii) the investment policies of the Organization.

1. Organization and summary of significant accounting policies - continued:

Endowments - continued:

***Investment and Spending Policies* -**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds, if any. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

The Organization's performance goals are to provide an average annual total rate of return, net of fees, that equals or exceeds its spending rate plus inflation (CPI) over a rolling five-year period. Additionally, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the average return of appropriate capital market indices weighted by the Organization's asset allocation target percentages over a rolling five-year period. The Organization's performance goals are also intended to produce results that equal or exceed the average return of a universe of similarly managed funds. The Organization's performance goals are based upon a long-term investment horizon. Accordingly, actual returns in any given year may vary from these amounts.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a spending policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the preceding three years. The amount to be appropriated for distribution shall not exceed 5%. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, the Organization expects the current spending policy to be consistent with the Organization's objective of seeking to maintain the purchasing power of the endowment fund assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

***Funds with Deficiencies* -**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2011 and 2010, there were no deficiencies of this nature.

Property and equipment:

Property and equipment are recorded at cost, if purchased or constructed and, if donated, at fair value at the time of the donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 7 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment.

1. Organization and summary of significant accounting policies - continued:

Property and equipment - continued:

Generally, all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000 are capitalized to property and equipment.

Impairment of long-lived assets:

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by obtaining a market appraisal or by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Deferred financing costs:

Deferred financing costs consist of costs incurred to obtain the first mortgage notes payable. These costs are being amortized on a straight-line basis over the terms of the related debt.

Statement of cash flows:

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes:

The Foundation and the Supporting Organization are classified by the Internal Revenue Service as "publicly supported organizations" exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation or Supporting Organization's tax-exempt purposes are subject to taxation as unrelated business income. The Foundation has unrelated business income for the year ended June 30, 2011. The income and related income taxes thereon, which are not material, are included in the accompanying financial statements. The Supporting Organization had no unrelated business income for the year ended June 30, 2011.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2011. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Foundation and Supporting Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2008, 2009 and 2010.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. Organization and summary of significant accounting policies - continued:

Summarized comparative financial information:

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassifications:

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 presentation.

Subsequent events:

The Organization has evaluated subsequent events through October 18, 2011, which is the date these consolidated financial statements were issued.

Recent accounting pronouncements:

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and timing of the transfers. Additionally, the guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. The new disclosures and clarifications of existing disclosures are effective for fiscal years and interim periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption by the Organization of the applicable required disclosures in fiscal 2011 had no impact on the Organization's consolidated financial statements. The Organization does not believe that its adoption of the required disclosures for fiscal year 2012 will have a material impact on the Organization's consolidated financial statements.

In May, 2011, the FASB issued guidance which further amends the measurement and disclosure requirements related to recurring and nonrecurring fair value measurements. The standard clarifies the fair value measurement guidance applicable to highest-and-best-use and valuation premise, measuring fair value of an instrument classified in equity and financial instruments managed within a portfolio, and the application of premiums and discounts in a fair value measurement. Additionally, the guidance requires expanded disclosure of fair value measurements categorized in Level 3, use of an asset in a way that differs from the asset's highest-and-best-use, and items not measured at fair value but for which fair value is required to be disclosed. These disclosures are effective for fiscal years and interim periods beginning after December 15, 2011. The Organization does not believe that its adoption of this guidance in fiscal year 2013 will have a material impact on the Organization's consolidated financial statements.

2. Cash and equivalents:

Cash and equivalents consist of the following at June 30:

	2011	2010
Cash and other demand deposits	**$ 1,886,488**	$ 1,137,302
Money Market Funds	**384,054**	475,664
	$ 2,270,542	$ 1,612,966

Money market funds include the SSgA US Government Money Market Fund in the aggregate amount of $154,884 at June 30, 2011. The SSgA US Government Money Market Fund invests in obligations of the U.S. Government, or its instrumentalities with remaining maturities of one year or less. The fund seeks to maximize current income to the extent consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2011, the fund's investment securities had a weighted average maturity of 26 days. The fund had an average credit quality rating of Aaa-mf at June 30, 2011.

Money market funds include the Schwab Advisor Cash Reserves Fund in the aggregate amount of $31,140 at June 30, 2011. The Schwab Advisor Cash Reserves Fund invests in high-quality short-term money market investments issued by U.S. and foreign issuers. The fund's goal is to seek the highest current income consistent with stability of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2011, the fund's investment securities had a weighted average maturity of 40 days. The fund was not rated for average credit quality at June 30, 2011.

Money market funds include the Dreyfus Cash Management Institutional - Shares Fund in the aggregate amount of $198,030 at June 30, 2011. The Dreyfus Cash Management Institutional - Shares Fund invests in a diversified portfolio of high-quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities. The fund's goal is to seek as high a level of income as is consistent with the preservation of capital and the maintenance of liquidity. The fund seeks to preserve the value of the fund at $1.00 per share net asset value. At June 30, 2011, the fund's investment securities had a weighted average maturity of 38 days. The fund had an average credit quality rating of AAAm at June 30, 2011.

Money market funds include the JPMorgan Prime Money Market Fund in the aggregate amount of $237,829 at June 30, 2010. The JPMorgan Prime Money Market Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, repurchase agreements and reverse repurchase agreements, taxable municipal obligations and funding agreements issued by banks and highly rated U.S. insurance companies. The fund aims to provide the highest possible level of current income while still maintaining liquidity and preserving capital. At June 30, 2010, the fund's investment securities had a weighted average maturity of 36 days. The fund had an average credit quality rating of AAAm at June 30, 2010.

Money market funds include the State Street Institutional Liquid Reserves Fund in the aggregate amount of $237,835 at June 30, 2010. The State Street Institutional Liquid Reserves Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper, variable and floating rate notes and repurchase agreements. The fund seeks to maximize current income to the extent consistent with preservation of capital and liquidity and the maintenance of a stable

2. Cash and equivalents - continued:

$1.00 per share net asset value, by investing in U.S. dollar-denominated money market securities. At June 30, 2010, the fund's investment securities had a weighted average maturity of 29 days. The fund had an average credit quality rating of AAAm at June 30, 2010.

The Organization maintains its operating cash balances in financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Included in cash and equivalents at June 30, 2011 are overnight repurchase agreements in the amounts of $1,624,569 and $124,540 each at an interest rate of .15% per annum. Included in cash and equivalents at June 30, 2010 are overnight repurchase agreements in the amounts of $674,304 and $21,167 each at an interest rate of .15% per annum. At June 30, 2011 and 2010, the Organization’s overnight repurchase agreements were fully collateralized under an agreement between Sovereign Bank and Fitchburg State University. At June 30, 2011 and 2010, the Organization’s uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Schwab Advisor Cash Reserves Fund, Dreyfus Cash Management Institutional - Shares Fund, JPMorgan Prime Money Market Fund, and State Street Institutional Liquid Reserves Fund, amounted to $384,054 and $578,701, respectively.

The Organization’s cash balances fluctuate throughout the year and may exceed insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

3. Investments:

During the first half of fiscal 2011, the Organization liquidated all of its investments held by Commonfund, with the exception of Commonfund Realty Investors, LLC, and transferred the proceeds to three new professional investment management firms.

Investments, included at their fair values in the accompanying 2011 consolidated financial statements, consist of the following at June 30, 2011:

	Cost	Fair Value
Equities	$ 4,503,714	$ 4,833,905
Preferred stock	201,927	203,862
Mutual funds	2,681,710	2,775,217
Corporate bonds	907,401	900,809
U.S. government securities	1,406,291	1,404,654
Commonfund Realty Investors, LLC	-	-
	$ 9,701,043	$ 10,118,447

At June 30, 2011, net unrealized gains in the Organization’s investment portfolio amounted to $417,404.

At June 30, 2011, equities include securities in the consumer goods sector which represent 13% of the fair value of the Organization’s investment portfolio.

3. Investments - continued:

At June 30, 2011, 9% of the fair value of the Organization's investment portfolio represents foreign investments.

Investments with an equivalent fair value of $1,287,000 collateralize certain debt agreements (see Notes 9 and 11).

Commonfund Realty Investors, LLC (the Fund) is a commingled, open-end real estate investment fund specifically designed to meet the needs of endowments, foundations and other tax-exempt investors. The Fund is composed of income oriented, value-add and development properties that are combined to create a value-added portfolio with a strong focus on distributable income. The Fund's investment objective is to earn an average annual net return of 11-15% over long periods of time by following a disciplined investment strategy and actively managing all investments. The Fund seeks to mitigate risk through diversification by property type and geographic area. The Fund expects to reinvest proceeds from the sale of investments unless such proceeds are needed to satisfy redemptions. The Fund seeks to periodically make distributions of operating cash flow if funds are available.

The Foundation made a capital commitment to the Commonfund Realty Investors, LLC totaling $485,000, of which $246,623 was funded as of June 30, 2007. The remaining commitment of $238,377 was funded in August, 2007. Investment units in the Fund are not deemed to be readily marketable as investors may only elect, once each year during September, to have the Fund redeem up to 20% of the units they have owned for at least five years. Redemptions are processed at the Fund's net asset value at the date the redemption is paid. However, as discussed further below, the Fund may defer payment of these redemptions indefinitely, contingent on the results of the Fund's operations and the outcome of negotiations for the restructuring of the Fund's debt. No redemptions have been scheduled for payment by the Fund.

On June 30, 2010, the Organization wrote down its investment in Commonfund Realty Investors, LLC to zero representing its fair value based upon the latest available information (March 31, 2010) provided by its professional investment manager. The gross write-down amounted to a realized loss of $485,000 in fiscal 2010, and a related decrease in unrealized losses in fiscal 2010 of $314,379 representing the previously recorded unrealized losses as of June 30, 2009. These amounts are included in gain (loss) on investments in the 2010 consolidated statement of activities. The decline in the fair value of this investment resulted from the continuing disruptions in the global capital, credit and real estate markets. These disruptions, which were significant, have led to, among other things, a significant decline in the volume of transaction activity, in the fair value of many real estate and real estate related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital and declines in liquidity and prices of real estate, and real estate investments have had a significant adverse impact on this portfolio investment. Although the capital markets showed some signs of stabilizing in fiscal 2010, the investment fund's real estate investments continue to be adversely affected as the market value of commercial real estate did not recover, and liquidity and capital sources remained unavailable to the investment fund at sensible pricing. The investment fund had been experiencing negative operating results, an adverse liquidity position, major debt defaults, and uncertainty regarding the outcome of ongoing debt restructuring negotiations with certain of its lenders. The investment fund has no redemptions scheduled for payment to its investors. Due to these factors, in the opinion of management, the decline in fair value of this investment was considered to be other-than-temporary.

3. Investments - continued:

At June 30, 2011, the fair value of investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 Years	5-10 Years	More Than 10 Years	Total
Corporate bonds	$ 62,712	$ 536,411	$ 301,686	$ -	$ 900,809
U.S. government securities	103,652	1,120,611	180,391	-	1,404,654
	$ 166,364	$ 1,657,022	$ 482,077	$ -	$ 2,305,463

Investments, included at their fair values in the accompanying 2010 consolidated financial statements, consist of the following at June 30, 2010:

	Cost	Fair Value
Commonfund (pooled investment funds):		
Intermediate Term Fund	$ 41,050	$ 36,734
Multi-Strategy Equity Fund	5,128,882	5,712,167
Multi-Strategy Bond Fund	3,091,150	3,376,998
Commonfund Realty Investors, LLC	-	-
	$ 8,261,082	$ 9,125,899

At June 30, 2010, net unrealized gains in the Organization’s investment portfolio amounted to $864,817.

The Intermediate Term Fund invested in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund’s objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index.

The Multi-Strategy Equity Fund invested in equity securities across strategies in proportions that were considered to be optimal for a fully diversified equity portfolio. The fund’s objective is to add value over long time periods, above the return of the U.S. equity market as measured by the Standard & Poor’s 500 Index.

The Multi-Strategy Bond Fund invested in debt securities across strategies in proportions that were considered to be optimal for a fully diversified fixed income portfolio. The fund’s objective is to exceed the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index.

Realized and unrealized gains (losses) on investments are shown net in the consolidated statement of activities. The components (representing the year to year activity) for the years ended June 30, 2011 and 2010 are as follows:

3. Investments - continued:

	2011	2010
Net realized gains (losses)	**$ 1,836,818**	($ 465,347)
Unrealized gains	**-**	1,261,157
Unrealized losses	**(447,413)**	-
	(447,413)	1,261,157
Net gain(loss) on investments	**$ 1,389,405**	$ 795,810

The Organization incurred investment management fees of $42,923 in 2011 and $33,009 in 2010 which are included in management and general expenses in the consolidated statement of activities.

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2011.

	Less than 12 months		**12 months or greater**		**Total**	
Description of Investments	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Equities	$ 1,011,122	$ 60,586	$ -	$ -	$ 1,011,122	$ 60,586
Preferred stocks	59,968	254	-	-	59,968	254
Mutual funds	532,545	11,618	-	-	532,545	11,618
Corporate bonds	672,487	9,625	-	-	672,487	9,625
U.S. government securities	592,793	7,208	-	-	592,793	7,208
Total	$ 2,868,915	$ 89,291	$ -	$ -	$ 2,868,915	$ 89,291

Equities and preferred stocks

The Organization has one hundred and one investments in equities of which twenty-four were in an unrealized loss position at June 30, 2011. The Organization also has twenty investments in preferred stocks of which six were in an unrealized loss position at June 30, 2011. The fluctuation in the equity securities and preferred stocks reflects general economic conditions and current changes in the industries of the companies in which the securities are held. The Organization has evaluated the severity and duration of the impairments. Based on that evaluation and the Organization's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2011.

3. Investments - continued:

Mutual funds

The Organization has twenty mutual fund investments of which four are in an unrealized loss position at June 30, 2011. The mutual funds are invested in equities and debt securities of companies in diverse industries and reflect current general economic conditions. The Organization has evaluated the severity and duration of the impairment. Based on that evaluation and the Organization's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2011.

Corporate bonds

At June 30, 2011, the Organization's investments in corporate debt securities were in the form of interest bearing securities of top-rated corporate issuers. The Organization has forty corporate debt security investments of which twenty-three are in an unrealized loss position at June 30, 2011. The securities in an unrealized loss position are comprised of fixed-rate debt securities of varying maturities. The value of fixed income securities is sensitive to interest rate fluctuations and the credit rating of the issuer.

There have been no indications of default on interest or principal payments by the issuers. The Organization does not intend to sell nor does it believe it would be required to sell the corporate bonds before their anticipated market value recovery. Accordingly, the Organization does not consider these investments to be other-than-temporarily impaired at June 30, 2011.

U.S. government obligations

The Organization has nineteen U.S. government investment securities at June 30, 2011, of which eleven were in an unrealized loss position as a result of interest rate fluctuations. The contractual terms of the investments do not allow the issuer to settle the securities at a price less than the amortized cost of the investment. The Organization does not intend to sell nor does it believe it would be required to sell these investment securities before their anticipated market value recovery. Accordingly, the Organization does not consider the investments to be other-than-temporarily impaired at June 30, 2011.

The following table presents the gross unrealized losses and fair values of the Organization's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the investments have been in a continuous unrealized loss position at June 30, 2010.

	Less than 12 months		12 months or greater		Total	
Description of Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Intermediate Term Fund	$ 19,703	$ 1,290	$ 17,031	$ 3,026	$ 36,734	$ 4,316
Total	$ 19,703	$ 1,290	$ 17,031	$ 3,026	$ 36,734	$ 4,316

At June 30, 2010, the fair values and unrealized losses of the above investment in an unrealized loss position were not material to the Organization's consolidated financial statements.

3. Investments - continued:

The endowment net asset composition by type of fund at June 30, 2011 is as follows:

Fund Type	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ 530,960	$ 2,186,886	$ 8,315,427	$ 11,033,273

Changes in the endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 338,182	$ 1,259,117	$ 8,157,802	$ 9,755,101
Investment return:				
Investment income	10,938	128,877	-	139,815
Appreciation (depreciation), realized and unrealized	192,777	975,801	-	1,168,578
Total investment return	203,715	1,104,678	-	1,308,393
Contributions	-	5,380	150,716	156,096
Other income	-	6,630	6,909	13,539
Appropriation of endowment assets for expenditure	(8,683)	(125,744)	-	(134,427)
Investment management fees	(2,254)	(29,904)	-	(32,158)
Transfer upon removal of donor restrictions	-	(33,271)	-	(33,271)
Endowment net assets, end of year	$ 530,960	$ 2,186,886	$ 8,315,427	$ 11,033,273

The endowment net asset composition by type of fund at June 30, 2010 is as follows:

Fund Type	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ 338,182	$ 1,259,117	$ 8,157,802	$ 9,755,101

3. Investments - continued:

Changes in the endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	($ 86,990)	$ 950,555	$ 7,114,356	$ 7,977,921
Investment return:				
Investment income	45,623	164,179	-	209,802
Appreciation (depreciation), realized and unrealized	425,172	291,416	-	716,588
Total investment return	470,795	455,595	-	926,390
Contributions	-	3,445	1,063,289	1,066,734
Other income	-	6,884	4,816	11,700
Appropriation of endowment assets for expenditure	(39,075)	(134,008)	-	(173,083)
Investment management fees	(6,548)	(23,354)	-	(29,902)
Transfer upon removal of donor restrictions	-	-	(24,659)	(24,659)
Endowment net assets, end of year	$ 338,182	$ 1,259,117	$ 8,157,802	$ 9,755,101

4. Contributions receivable:

Contributions receivable consist of the unpaid balances (net of discount and any allowance for uncollectible contributions) made on behalf of the Organization. The majority of the contributions receivable are generally pledged from North Central Massachusetts area contributors. The year-end balances are exclusive of potential contributions to be received as part of corporate matching gift programs. Unpaid Alumni Association telethon contributions from the previous fall and spring telethon campaigns are written off at the end of each fiscal year.

Due to the passing, in June, 2010, of an alumnus of Fitchburg State University, the Foundation received the remainder interest in a trust established by the individual. Based upon information received from the trustee, management estimated and recorded contribution revenue and a receivable in the amount of $970,000 at June 30, 2010. Based upon updated information received from the trustee as of June 30, 2011, management recorded additional contribution revenue and an additional receivable in 2011 in the amount of $114,966. At June 30, 2011, the total receivable due from the trust amounted to $1,084,966. On July 12, 2011, the Foundation received $1,092,583 from the trust and deposited it with one of its professional investment managers to be invested.

Contributions receivable consist of the following at June 30:

	2011	2010
Receivable in less than one year	**$ 1,406,930**	$ 1,272,718
Receivable in one to five years	**102,350**	259,900
Receivable in more than five years	**3,000**	-
	1,512,280	1,532,618
Discount on pledges	**(11,415)**	(21,765)
	$ 1,500,865	$ 1,510,853

4. Contributions receivable:

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of the contribution ranging from 2% to 4%.

Contributions receivable measured at fair value and net realizable value consist of the following at June 30:

	2011	2010
Measured at fair value	**$ 382,835**	$ 530,970
Measured at net realizable value	**1,118,030**	979,883
	$ 1,500,865	$ 1,510,853

5. Fair value measurements:

FASB's guidance on fair value measurements established a new framework for measuring fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. FASB's guidance established a three-level valuation hierarchy based upon observable and non-observable inputs.

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. FASB's guidance requires the use of observable data if such data is available without undue costs and effort.

The fair value hierarchy under the guidance is as follows:

Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

5. Fair value measurements - continued:

When available, the Organization uses unadjusted quoted market prices to measure the fair value and classifies such items within Level 1. Level 1 securities primarily include publicly-traded equity securities and mutual funds.

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. At June 30, 2011, Level 2 securities consist primarily of corporate fixed income securities, U.S. government securities and preferred stocks. At June 30, 2010, Level 2 investments consisted of pooled investment funds held at the Commonfund with the exception of Commonfund Realty Investors, LLC which is considered a Level 3 asset. The fair values of these Level 2 assets are based upon estimated net asset values provided by the management of Commonfund, in consultation with its respective investment managers, with consideration given to quoted market prices, if available, the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other relevant information generated by market transactions.

At June 30, 2011 and 2010, the Organization's assets included in Level 3 of the fair value measurement hierarchy consist of its investment in Commonfund Realty Investors, LLC and promises to give that are due in more than one year. As discussed in Note 3, the Organization wrote down its investment in Commonfund Realty Investors, LLC to zero at June 30, 2010 representing its estimate of the fair value of the investment at that date. As of June 30, 2011, management's estimate of the fair value of this investment remains unchanged. The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return determined by management of the Organization.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of assets measured on a recurring basis at June 30, 2011 is as follows:

Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 4,833,905	$ 4,833,905	$ -	$ -
Preferred stocks	203,862	-	203,862	-
Mutual funds	2,775,217	2,775,217	-	-
Corporate bonds	900,809	-	900,809	-
U.S government securities	1,404,654	-	1,404,654	-
Commonfund Realty Investors, LLC	-	-	-	-
Contributions receivable	382,835	-	-	382,835
Total	$10,501,282	$ 7,609,122	$ 2,509,325	$ 382,835

5. Fair value measurements - continued:

The fair value of assets measured on a recurring basis at June 30, 2010 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Intermediate Term Fund	$ 36,734	$ -	$ 36,734	$ -
Multi-Strategy Equity Fund	5,712,167	-	5,712,167	-
Multi-Strategy Bond Fund	3,376,998	-	3,376,998	-
Commonfund Realty Investors, LLC	-	-	-	-
Contributions receivable	530,970	-	-	530,970
Total	$ 9,656,869	$ -	$ 9,125,899	$ 530,970

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2011:

	Commonfund Realty Investors, LLC	Contributions receivable, net
Balances, July 1, 2010	$ -	$ 530,970
Realized gains (losses)	-	
Unrealized gains (losses)	-	
New promises received	-	38,000
Collections	-	(192,683)
Contribution revenue	-	6,548
	-	(148,135)
Balances, June 30, 2011	$ -	$ 382,835

5. Fair value measurements - continued:

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2010:

	Commonfund Realty Investors, LLC	Contributions receivable, net
Balances, July 1, 2009	$ 170,621	$ 690,201
Realized gains (losses)	(485,000)	-
Unrealized gains (losses)	314,379	-
New promises received	-	64,376
Collections	-	(242,309)
Contribution revenue	-	18,702
	(170,621)	(159,231)
Balances, June 30, 2010	$ -	$ 530,970

6. Property and equipment:

Property and equipment at June 30, 2011 and 2010 consist of the following:

	2011	2010
Real estate under lease:		
Land	**$ 402,663**	$ 402,663
Building	**1,557,724**	1,557,724
Building improvements	**100,452**	100,452
	2,060,839	2,060,839
Real estate used for student housing:		
Land	**253,555**	253,555
Building	**434,225**	434,225
Building improvements	**28,600**	28,600
	716,380	716,380
Land	**1,610,042**	1,733,311
Land improvements	**61,899**	61,899
Buildings	**556,478**	556,478
Building improvements	**39,569**	39,569
Equipment	**82,684**	59,448
Computer software	**355,845**	344,005
Furniture and fixtures	**22,287**	22,287
Library materials	**6,570**	6,570
	5,512,593	5,600,786
Less accumulated depreciation	**696,841**	598,581
	$ 4,815,752	$ 5,002,205

6. Property and equipment - continued:

Accumulated depreciation on real estate under lease amounted to $209,152 and $165,187 at June 30, 2011 and 2010, respectively. Accumulated depreciation on real estate used for student housing amounted to $46,949 and $34,662 at June 30, 2011 and 2010, respectively.

During fiscal 2010, the Supporting Organization acquired two properties in Fitchburg, Massachusetts at an aggregate cost of $528,940. One property, acquired at a cost of $123,270, was sold during fiscal 2011 for $120,000 less closing costs of $1,130 to DCAM on behalf of the University. A loss of $4,400 was recorded from the sale of the property. The other property is currently serving as green space (see Note 7).

At both June 30, 2011 and 2010, property and equipment with a cost of approximately $331,000 were fully depreciated and still in service.

7. Impairment loss:

In February, 2010, the Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with the Supporting Organization's mission and the University's strategic plan which includes campus expansion and additional green space. The property, which included land and a building, was purchased for an aggregate cost of $405,670. The University subsequently razed the building and created green space. The land is being held for future use and development to further enhance the resources available for the University and City communities.

In April, 2010, the Supporting Organization obtained an appraisal of the property. As a result of the appraisal, management determined, in accordance with the requirements of FASB accounting guidance, that the property was impaired and wrote down the asset to its fair value of $130,000. The impairment charge (a noncash accounting charge) to operations in the amount of $275,670 had no impact on the Supporting Organization's fiscal 2010 cash flow or its ability to generate cash flow in the future. The impairment charge was reflected in program services in 2010.

The fair value of the property was measured using significant other observable inputs (Level 2) pursuant to the FASB's guidance on fair value measurements. The fair value of the property was determined using appraisal values based on sales of similar assets (market approach).

8. Other assets:

Other assets at June 30, 2011 and 2010 consist of the following:

	2011	2010
Cash surrender value of life insurance	**$ 70,094**	$ 63,186
Art collection	**39,025**	39,025
	$ 109,119	$ 102,211

9. Line of credit:

In March, 2011, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. At June 30, 2011, there were no borrowings outstanding under the line of credit. At June 30, 2010, the Foundation had an outstanding balance of $125,000 under the line of credit agreement. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At both June 30, 2011 and 2010, the effective interest rates were 6% per annum. For the years ended June 30, 2011 and 2010, interest expense incurred on borrowings under this line of credit amounted to $3,639 and $1,438, respectively. Borrowings are secured by investments with equivalent fair value of $315,000. The line of credit agreement expires on March 17, 2013. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

10. First mortgage notes payable:

Foundation -

In April, 2008, the Foundation acquired land and buildings at a total cost of $561,664, including related acquisition costs. The properties are located on the Fitchburg State University campus and were previously owned by an unrelated third party.

The acquisitions were funded with the proceeds of a note payable in the amount of $550,000, dated April 16, 2008, with Fidelity Co-operative Bank. The note is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Furthermore, any and all deposits held by the lender serve as additional collateral for the loan.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.75% per annum for the first ten years of the loan term. Thereafter, the interest rate will be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final ten years of the term of the loan plus 118 basis points. The loan requires monthly installments of principal and interest of $3,862. The monthly installments of principal and interest during the final ten years of the loan term shall be determined based on the interest rate then in effect to provide for the amortization of the then outstanding loan principal over the remaining term of the loan. The note matures on April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2011 and 2010, the outstanding principal balance of this mortgage note payable amounted to $500,402 and $517,127, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this mortgage note payable amounted to $29,342 and $30,615, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2011, are estimated to be as follows:

Year	Amount
2012	$ 17,551
2013	18,681
2014	19,800
2015	20,986
2016	21,176

10. First mortgage notes payable - continued:

Supporting Organization -

In August, 2006, the Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAM on behalf of the University (see Note 12). The University is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the bonds), dated August 1, 2006, in the amount of $1,900,000, issued by the Massachusetts Development Finance Agency (MDFA), pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of twenty years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011. Commencing thereafter, the monthly installments of principal and interest are $12,306 until the next five-year interval adjustment date of August 16, 2016. The loan matures on August 16, 2026. The loan agreement requires the Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

The loan documents contain cross default provisions with the DCAM lease.

At June 30, 2011 and 2010, the outstanding principal balance of this mortgage note payable amounted to $1,612,542 and $1,678,437, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this mortgage note payable amounted to $93,329 and $95,167, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rates in effect at June 30, 2011 and August 16, 2011, are estimated to be as follows:

10. First mortgage notes payable - continued:

Supporting Organization - continued -

Year	Amount
2012	$ 73,700
2013	79,093
2014	82,778
2015	86,635
2016	90,516

Workers' Credit Union (WCU) provided financing to the Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The proceeds of the loan were used primarily to repay advances made to the Supporting Organization by the Foundation for the acquisition of four real estate properties. The note is secured by a first mortgage interest in certain real estate owned by the Supporting Organization and an assignment of certain leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2011, the Supporting Organization has total cash balances of $81,194 held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.

The mortgage note has a term of ten years, expiring on February 27, 2019, and provides for a fixed rate of interest of 5.74% per annum. The note requires monthly installments of principal and interest of $4,714 based on a twenty-five year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2011 and 2010, the outstanding principal balance of this mortgage note payable amounted to $716,105 and $731,099, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this mortgage note payable amounted to $43,353 and $44,207, respectively.

Aggregate principal maturities on the loan for each of the next five years are as follows:

Year	Amount
2012	$ 15,875
2013	16,810
2014	17,801
2015	18,850
2016	19,961

During fiscal 2010, Workers' Credit Union provided financing to the Supporting Organization in the form of a note, dated February 19, 2010, in the amount of $300,000. The proceeds of the loan were used to finance the acquisition of a real estate property. The note is secured by a first mortgage interest in the property located at 161-181 Main Street in Fitchburg, Massachusetts and an assignment of leases and rents on this property. The note is also collateralized by all funds held by the lender. At June 30, 2011, the Supporting Organization has total cash balances of $81,194 held at WCU which serve as additional collateral for both WCU loans to the Supporting Organization.

10. First mortgage notes payable - continued:

Supporting Organization - continued -

In June, 2010, the Supporting Organization determined that the value of the property securing this first mortgage note payable to WCU was less than its carrying value. Accordingly, the Supporting Organization recorded an impairment loss (see Note 7). As a result, WCU required additional collateral to further secure this loan. On October 25, 2010, the Organization provided WCU with a second mortgage interest in the real estate and related personal property located at 167 Klondike Avenue in Fitchburg, Massachusetts. The first mortgage on that property secures the Supporting Organization's obligations under the MDFA Revenue Bonds Issue. The Supporting Organization also provided WCU with a second assignment of leases and rents related to that property.

The mortgage note has a term of ten years, expiring on February 19, 2020, and provides for a fixed rate of interest of 6.03% per annum. The note requires monthly installments of principal and interest of $1,939 based on a twenty-five year principal amortization. Monthly principal and interest payments commenced on March 19, 2010. The note may be prepaid at any time, in whole or in part, without premium or penalty. The loan documents contain cross default - cross collateralization provisions with all other obligations of the Supporting Organization to WCU.

As of June 30, 2011 and 2010, the outstanding principal balance of the mortgage loan amounted to $292,746 and $298,178, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this mortgage note payable amounted to $18,528 and $6,493, respectively.

Aggregate principal maturities on the loan for each of the next five years are as follows:

Year	Amount
2012	$ 5,720
2013	6,124
2014	6,503
2015	6,906
2016	7,290

In connection with the fiscal 2010 loan, the Supporting Organization was required to establish an escrow account held at WCU in the amount of $75,000 until the Supporting Organization resolved certain environmental matters related to the property. The environmental matters have since been resolved and WCU released the escrow in fiscal 2011.

11. Notes payable - bank:

Foundation -

During fiscal 2010, Rollstone Bank & Trust provided financing to the Foundation in the form of a note dated January 5, 2010, in the amount of $77,952. The proceeds of the loan were used to finance the purchase of computer software to be used in the Foundation's operations. The note is unsecured.

11. Notes payable - bank - continued:

Foundation - continued -

The note has a term of three years, expiring on January 5, 2013, and provides for a fixed rate of interest of 5% per annum. The note requires monthly installments of principal and interest of $2,339 based on a three year principal amortization. Monthly principal and interest payments commenced on February 5, 2010.

At June 30, 2011 and 2010, the outstanding principal balance of this note payable amounted to $42,590 and $67,820, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this note payable amounted to $2,984 and $1,800, respectively.

Aggregate principal maturities on the loan for each of the years to maturity are as follows:

Year	Amount
2012	$ 26,515
2013	16,076

Supporting Organization -

In May, 2007, the Supporting Organization acquired land and a building consisting of six apartment units at a total cost of $504,479, including related acquisition costs. The Supporting Organization also acquired an adjacent parcel of land at a cost of $183,301. The properties are located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the Supporting Organization receives residence hall fees.

The acquisitions were funded with the proceeds of a note payable in the amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments with an equivalent fair value of $972,000. In addition, payment and performance of the Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of thirty years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The loan requires monthly installments of principal and interest of $4,122 based on a thirty year principal amortization. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2011 and 2010, the outstanding principal balance of this note payable amounted to $639,226 and $649,236, respectively.

For the years ended June 30, 2011 and 2010, interest expense on this note payable amounted to $37,405 and $42,888, respectively.

Aggregate principal maturities on the loan for each of the next five years, using the interest rate in effect at June 30, 2011, are estimated to be as follows:

11. Notes payable - bank - continued:

Supporting Organization - continued -

Year	Amount
2012	$ 10,792
2013	11,574
2014	12,298
2015	13,067
2016	13,786

12. Lease and license agreements:

As disclosed in Note 10, the Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of ten years and provides for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University is also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. At the expiration of the lease term, the Supporting Organization expects the lease will be renewed with DCAM on behalf of the University. For the years ended June 30, 2011 and 2010, rental income amounted to $165,000 in each year.

The following is a schedule of future minimum rental payments to be received on this lease:

Year ending June 30,	Amount
2012	$ 165,000
2013	165,000
2014	165,000
2015	165,000
2016	165,000
Later years	20,625
	$ 845,625

On August 6, 2008, the Supporting Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provides for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three year period of the lease term, including the continuous period of any extensions thereof. The Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Supporting Organization may cancel the lease at any time after November 1, 2009 with the payment of two months' base rent as a termination charge. The Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2011 and 2010, rent expense amounted to $17,625 each year.

12. Lease and license agreements - continued:

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2012	$ 18,506
2013	18,947
2014	18,947
2015	19,895
2016	20,368
Later years	49,053
	$ 145,716

The Supporting Organization and the University entered into a License Agreement whereby the Supporting Organization granted the University an irrevocable and exclusive license to occupy, manage, maintain and operate certain property owned by the Supporting Organization. The License Agreement, which commenced on September 3, 2008, had an initial term of one year. Upon expiration of the initial term, the License Agreement provides for automatic annual renewals thereafter. The License Agreement provided for an annual license fee of $108,875 payable, in arrears, in twelve equal monthly installments. The annual license fee was increased to $177,455 commencing July 1, 2010 by agreement between the parties. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreement may be terminated by either party upon the expiration of the initial term of the agreement and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreement at any time with the giving of proper notice. For the years ended June 30, 2011 and 2010, license fee income amounted to $177,455 and $108,875, respectively.

13. Restricted net assets:

Temporarily restricted net assets in the amount of $3,077,888, as of June 30, 2011, are available as follows: equipment which use is restricted, in the amount of $30,111; and scholarships to qualified students and to promote cultural programs within Fitchburg State University in the amount of $3,047,777, Temporarily restricted net assets in the amount of $2,093,525, as of June 30, 2010, were available as follows: for equipment which use is restricted, in the amount of $9,594; and scholarships to qualified students to promote cultural programs within Fitchburg State University in the amount of $2,083,931.

Temporarily restricted net assets released from restrictions during 2011 represent the satisfaction of program restrictions in the amount of $3,201,360; the satisfaction of scholarship-related restrictions in the amount of $212,905, and the satisfaction of equipment donation restrictions in the amount of $3,529.

Permanently restricted net assets in the amounts of $8,315,427 and $8,157,802 as of June 30, 2011 and 2010, respectively, are invested in perpetuity. Income from the investments is expendable for the program services of the Organization, including the granting of scholarships and to fund other academic and cultural programs.

14. Transactions with a related party:

Fitchburg State University renders certain administrative services to the Organization at no cost. The monetary value of such services is not clearly measurable and, therefore, is not reflected in the accompanying consolidated financial statements.

For the years ended June 30, 2011 and 2010, the Supporting Organization incurred expenses totaling $29,904 and $30,645, respectively, to Fitchburg State University for maintenance services provided to the Supporting Organization for the real estate used for student housing.

At June 30, 2011 and 2010, the Organization has miscellaneous payables to Fitchburg State University in the amounts of $60,478 and $27,085, respectively.

15. Major Donors:

During fiscal 2011, the Foundation received a temporarily restricted donation of a one year license to use certain computer software with an annual commercial value of $2,822,400. This donation represents approximately 81% of total gifts and donations revenue during 2011. The computer software is being used in academic courses by the Industrial Technology Department of Fitchburg State University. The license expired on June 30, 2011. The license to use the software is currently expected to be donated annually to the Foundation. Accordingly, the Foundation shall record donation revenue in an amount of the then commercial value each year of the license to use the software. The license has been renewed for another term of one year expiring on June 30, 2012.

During fiscal 2010, the Foundation received the remainder interest in a trust established by an alumnus of Fitchburg State University who passed away in June, 2010 (see Note 3). This gift represented approximately 64% of total gifts and donation revenue in 2010.

16. Donated equipment, materials and services:

The value of donated equipment, materials and services included in temporarily restricted donations for the year ended June 30, 2011 totaled $2,862,391. Of this amount $20,738 represents equipment that has been capitalized to property and equipment and the remainder of $2,841,653 has been reflected in program expenses as follows:

Functional Expense Category	Nature of expense	Amount
Speakers and cultural programs	Advertising	$ 17,500
Equipment and maintenance	Computer software license and miscellaneous equipment	2,824,153
		$ 2,841,653

17. State Matching Funds:

In September, 2004, the Massachusetts Legislature re-established the State Matching Funds Program (the Program). The Massachusetts Legislature established maximum state matching contribution amounts over the life of the Program. Total matching funds available in a particular fiscal year are subject to appropriation. The Program shall terminate when the maximum state matching contribution amounts have been made or on July 1, 2010, whichever is sooner. The Program terminated on July 1, 2010.

Funds received under this Program are recorded in permanently restricted net assets in the consolidated statement of activities. The State did not appropriate any funds for this Program for the year ended June 30, 2010.

18. Subsequent event:

On September 12, 2011, the Supporting Organization was the successful bidder, at a public foreclosure auction, for a certain parcel of land and a building located in close proximity to the Fitchburg State University campus. The bid price was $56,000. The Supporting Organization closed on this acquisition on September 29, 2011. Payment of the purchase price was made from current operating funds of the Supporting Organization. Management plans to raze the building and create green space. The property will be recorded at its fair value.

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

We have audited the consolidated financial statements of Fitchburg State University Foundation, Inc. as of and for the year ended June 30, 2011, and our report thereon dated October 18, 2011, which appears on page 1, expressed an unqualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information for the year ended June 30, 2011 contained on page 36 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The prior year summarized comparative information has been derived from the additional information accompanying the Foundation's 2010 consolidated financial statements and, in our report on additional information dated October 15, 2010, we expressed our opinion that such information was fairly stated in all material respects in relation to the 2010 consolidated financial statements as a whole. Such information should be read in conjunction with the Foundation's consolidated financial statements and accompanying additional information for the year ended June 30, 2010, from which the summarized information was derived.

Ercolini & Company LLP

Boston, Massachusetts
October 18, 2011

FITCHBURG STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

(with comparative totals for the year ended June 30, 2010)

	Program Services	Management and General	Fund Raising	2011 Consolidated Total	2010 Consolidated Total
Scholarships	$ 212,905	$ -	$ -	**$ 212,905**	$ 186,852
Speakers and cultural programs	195,408	-	-	**195,408**	149,810
Outside services	99,396	-	-	**99,396**	88,878
Accounting and audit	-	13,131	-	**13,131**	18,214
Insurance	18,568	9,276	596	**28,440**	14,221
Supplies	67,453	559	157	**68,169**	65,897
Postage	13,723	1,402	18,441	**33,566**	8,309
Equipment and maintenance	2,839,630	13,645	-	**2,853,275**	34,470
Printing and publications	91,105	1,851	65,236	**158,192**	82,879
Travel	59,989	1,225	10,231	**71,445**	92,777
Meetings and conferences	53,181	2,656	28,490	**84,327**	76,862
Professional and consulting services	-	5,150	2,075	**7,225**	2,001
Awards and grants	15,790	-	-	**15,790**	17,735
Real estate and other taxes	154	-	-	**154**	2,957
Repairs and maintenance	29,904	-	-	**29,904**	30,645
Rent	17,625	-	-	**17,625**	17,625
Utilities	16,495	-	-	**16,495**	15,839
Interest	196,254	32,326	-	**228,580**	222,608
Miscellaneous	8,080	10,132	-	**18,212**	30,293
Investment management fees	-	42,923	-	**42,923**	33,009
Other financial fees	-	5,735	-	**5,735**	1,910
	3,935,660	140,011	125,226	**4,200,897**	1,193,791
Loss on sale of land	4,400	-	-	**4,400**	-
Impairment loss	-	-	-	**-**	275,670
Depreciation and amortization	74,111	27,619	-	**101,730**	81,525
	$ 4,014,171	$ 167,630	$ 125,226	**$ 4,307,027**	$ 1,550,986

See independent auditor’s report on additional information, page 35.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Fitchburg State University Foundation, Inc.
Fitchburg, Massachusetts

We have audited the financial statements of Fitchburg State University Foundation, Inc. (a not-for-profit Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fitchburg State University Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fitchburg State University Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Ercolini & Company LLP

Boston, Massachusetts
October 18, 2011